ADVOCATION

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LEGISLATIVE ADVOCACY • ASSOCIATION MANAGEMENT

February 28, 2012

TO: Board Members, City/County Association of Governments, San Mateo County
FROM: Advocation, Inc. – Shaw / Yoder / Antwih, Inc.

RE: STATE LEGISLATIVE UPDATE-FEBRUARY

On January 5, Governor Brown released his FY 2012-13 State Budget. He emphasizes that significant progress in trimming down the state's chronic budget deficit has been made by comparing a $26.6 billion shortfall in FY 2011-12 and $20 billion structural deficit to a $9.2 billion gap in FY 2012-13 with future structural shortfalls of $5 billion from the $89 billion spending plan. The $9.2 billion deficit is an 18-month forecast which includes a current year gap (FY 11-12) of $4.1 billion. Unlike last year, the Governor has not called for a Special Session to address the deficit. Therefore, budget subcommittees are not expected to meet until later this Spring. The following is a summary of other topics of interest.

On February 27, the Legislative Analyst's Office (LAO) issued its report on the 2012-13 State Budget. According to the LAO, while the economic outlook has improved somewhat since our last forecast in November, data received after that forecast concerning 2010 tax payments by Californians and soft personal income tax (PIT) estimated payments in December and January have weakened some parts of our office's near-term revenue forecast. In January, we noted that our November General Fund revenue forecast was $6.8 billion lower than the administration's in 2011-12 and 2012-13 combined (including our lower estimates of revenue from the Governor's proposed tax initiative). Now, LAO's updated revenue forecast—including similar federal tax policy assumptions as the administration's, an updated estimate of revenues from the Governor's initiative, and an initial estimate of revenues due to the possible Facebook stock offering—is $6.5 billion lower than the administration's in 2011-12 and 2012-13 combined. If the Facebook-related revenues were omitted from this new forecast, General Fund revenues would be about $8.5 billion lower than the administration's over this period—weaker than the $6.8 billion difference identified in January—due mainly to the negative revenue data received over the last three months.

Redevelopment

The month of January represented the last month of existence for local Redevelopment Agencies (RDAs). The 2010 law eliminating the agencies, crafted as part of last year's budget package, takes effect on February 1. While some lawmakers have voiced support for reviving the agencies' main functions in new forms, a workable solution has not emerged since the state Supreme Court struck down the Legislature's first attempt at creating a successor to RDAs. A push to delay the dissolution date until April 15 has failed to gain traction in the Legislature. Senate President pro Tempore Darrell Steinberg is authoring **SB 654** in order to allow local governments to keep and use redevelopment money earmarked for affordable housing projects. The bill, which had an urgency clause, failed to receive a 2/3 vote and was moved on the Senate Floor on a majority vote. Affordable housing advocates are working with the pro Tempore to try and gather votes to pass the bill as an urgency item. Assembly Speaker John Pérez has introduced **AB 1585** as a placeholder to consider providing a tool to help stimulate local economies.

High-Speed Rail
The High-Speed Rail Authority is expected to release its revised Business Plan in late March. Major revisions are expected from the original plan which was released on November 5th and calls for a $98.5 billion investment to build the high-speed train network. It is our understanding that the new plan will recommend making substantial investments in the Peninsula as well as Southern California in order to modernize the existing infrastructure of the bookends to the system and prepare for linkage to a high-speed rail system in the future.

As a result, Caltrain is in position to receive as much as $1 billion in Proposition 1A funding to use with local match dollars ($1.428 billion total) to electrify its system along its existing right-of-way, implement positive train control, and purchase new rail cars. The improvements would be completed by 2019, a full 12 years before high-speed rail service is being contemplated in the area. Electrification will allow for member agencies to reduce their operating costs in half while increasing service from 45,000 to 70,000 riders per day.

Key Bills

1. AB 2291 (Gordon) is a spot bill that has been introduced as a vehicle for CCAG's extension of its current $4 vehicle license fee for program for the management of traffic congestion and storm water pollution. The last extension, which was provided in SB 348 (Simitian) Chapter 377, Statutes of 2008, is set to expire on January 1, 2013.